



# Some Sanctions Against Russia Actually Achieve Their Foreign Policy Goals

By Gary Clyde Hufbauer  
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Russia's continued occupation of Crimea and Eastern Ukraine and its SolarWinds hack of U.S. data leave no shortage of tensions confronting the bilateral relationship between Moscow and Washington. No wonder, then, that the Biden administration opted for new sanctions.

In February, the administration announced sanctions regarding the Nord Stream 2 pipeline, a key piece of infrastructure that would bring Russian gas to Germany. In April, the administration hit Russia with diplomatic expulsions and blocked U.S. financial institutions from buying bonds issued by Russia's central bank, finance ministry, or sovereign wealth fund. More Russian individuals and business entities were added to the already long list of Specially Designated Nationals subject to trade and financial sanctions.

The U.S. has ample motivation to act, and the new sanctions will certainly punish Russian economic interests. But it's highly questionable whether the sanctions will achieve U.S. foreign policy goals with respect to Ukraine or cyberspace.

Recent history, for example, is replete with sanctions that failed to achieve their intended foreign policy goals. Russian sanctions are just one example. Sanctions punish but they often fail to rehabilitate. Since the U.S. first imposed sanctions on Russia in 2014, President Vladimir Putin's behavior towards the U.S. and its eastern European allies has not gotten better.

Moreover, broad sanctions on the Russian energy, financial, transportation, mining, and mineral sectors impose serious costs on U.S. firms operating in Russia. Past congressional proposals would have gone even further and cripple the ability of U.S. companies to perform basic of transactions in Russian, such as paying employees. The blowback costs of U.S. sanctions on American companies and workers should not be lightly dismissed.

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On the other hand, sanctions can be designed in a way that offers a clear path to reform with a minimal cost to U.S. firms. An exemplary case is U.S. sanctions that targeted Russian oligarch Oleg Deripaska and companies where he had holdings, including EN+ Group, the biggest producer of aluminum outside of China. EN+ has a majority stake in Rusal, a leading aluminum producer with significant business ties here in the United States. The U.S. hoped to distance American firms from Russian oligarchs who stood accused of criminal dealings – a modest but important foreign policy goal.

Unlike American attempts to change Putin's behavior, measures affecting EN+ worked to tremendous effect. The Treasury's Office of Foreign Assets Control actually lifted temporary sanctions against the company in 2019 after a series of important reforms that heightened the firm's corporate accountability and drastically revised its governance. Today, EN+ is controlled by a new board with a majority of U.S.-approved independent directors. The U.S. Department of Treasury has said on record that EN+ Group has "agreed to unprecedented transparency."

The approach taken with EN+ has drawn wide praise. As the Atlantic Council's Brian O'Toole and Samantha Sultoon explained, these well-designed sanctions worked because "the point of sanctions is to inflict maximum impact on the target (Deripaska) while minimizing collateral spillover to the United States and its allies." Another Forbes commentator added that the U.S. completely succeeded in wresting majority control of EN+ from its past relationship with the oligarch; he'll never again control the company. In the end, that was precisely the outcome the U.S. wanted.

What does that mean for the U.S.? For starters, EN+ is the second largest supplier of aluminum for North America's manufacturers. Its subsidiary, Rusal, is a massive job creator worldwide, sustaining more than 100,000 jobs in 14 countries. A healthy Rusal means investment and new jobs in the U.S.

It also means a viable partner in the climate change fight, as aluminum production today contributes over two percent of global emissions. Chinese coal-fired smelters consume huge amounts of electricity for aluminum production. With aluminum demand increasing, associated Chinese carbon emissions could rise by half. EN+ is a bright spot in this landscape, using clean energy technologies that produce aluminum at less than a quarter of the emissions of coal-fired Chinese smelters.

Sanctions can go painfully wrong, but they don't have to. As the Biden administration considers its next move on Russia, it should look to nuanced approaches that achieve the desired effect with minimal adverse impact on American interests.

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